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A CHAPTER ON MONETARY POLICY.

IN fulfilling the task confided to me of reviewing the "symposium" in the November number of THE NORTH AMERICAN REVIEW, entitled, "Shall Silver be Demonetized?" the reader will grant me indulgence if I waive detailed exposition of "Bimetallism." By so far presuming upon the publicity of my contributions to the doctrine and policy embodied in that word, I reserve space needed for the work of criticism. I am, withal, warranted in expecting on the part of the general reader of to-day a certain familiarity with the general nature and aim of that doctrine and policy.

I shall also take leave to sacrifice this occasion of criticising matters of detail; even where they invite refutations, as in the case of the rigid local quantity-theory which inspires Mr. Hill's views on the Volume of Money and Mr. Delmar's views on Demonetization. I thus reserve the space at my disposal for such a comprehensive view of monetary policy as shall indicate the extent and position of the circle of ideas to which Mr. Hill, Mr. Delmar, and Mr. Phillips have limited themselves.

A convenient text is offered me for reviewing their position, as a whole, by Mr. Hill's full and frank defining of representative views upon the international aspect of the Silver Question.

"Professor Walker, he says, favors the abrogation of the Silver Coinage law of 1878 upon the sole ground that a bimetallic arrangement with European nations is the indispensable condition to the safe use of silver in this country.

"*This is in plain contradiction of the experience of mankind.* From time immemorial both gold and silver have been used as money without bimetallic treaties. The relative value of gold and silver, disturbed for a time by the disproportionate yield of silver following the discovery of America, finally settled in 1650 to between 15 and 16 to 1, and so remained for 225 years, although the first case of an international arrangement, the Latin Union treaty, did not occur till 1865.

"*The world has had a long experience, independently of international treaties, of that steadiness of the relative value of the two metals which results from*

the magnitude of their mass, representing the accumulation of ages, which is so vastly in excess of their annual production.

"No cause of equal magnitude, tending to disturb the relative value of the metals, as the transition of Germany from the single standard of silver to the single standard of gold, will probably recur for centuries. After that transition had spent its force," etc., etc.

To the breadth of this historical survey, I desire to offer, in passing, a tribute of respect. Standing, as it does, in marked contrast to the narrowness of range unfortunately so prevalent, it is itself an ally in securing the detection of whatever defect of statement or error of conclusion it may embody or foster.

Such defect and error are, in fact, not far from the surface.

What is the most notable feature, from the point of view of monetary policy, in this long period, from 1650 to 1875, to which Mr. Hill calls attention ?

What else but the substantial consensus of nations in bi-metallic law ?

The story of these 225 years is a story of concurrent legal tender, and concurrent in alternating coinage ; a story of the Spanish and Portuguese ratios of 16 ; of the French ratios near 14.50 ; of the English ratio of 15.21 ; of the new French ratio of 15.50. This comparative stability to relative value between the two money metals which is exhibited for our praise, what was it but the concurrent laws of money-using nations which marshaled to its maintenance the self-interest of money-using men ? Man's self-interest—the great fact of facts, the fundamental postulate of economic science—was directed to alternative demand by the governmental institution of the silver and gold standard : a demand for silver below and not above, a demand for gold below and not above, the rates established by the practice of governments ; a demand which thus, though under crude and varying conditions, has, so to speak, automatically transferred from one metal to another, with the natural effect of supporting an equilibrium between them.

Now this concurrence of nations in the silver and gold standard presents the counterpart in embryo of that Bimetallic Union, to be made firm by contract, which was the aim of the policy of the Monetary Conferences.

Again, in the formation of the Latin Union, we can recognize a simple step forward in a normal process of development from

these beginnings of international concert in maintaining equilibrium between silver and gold. In a word, in the place of a crude and unconscious bimetallic union, we see a union which more properly deserves the name, a conscious and well-regulated Bimetallic Union.

The "experience of mankind," therefore, "for 225 years," is precisely an experience of a "bimetallic arrangement of European nations."

And the arrangement of which the United States made itself the promoter, by calling the Conference of 1878, is a continuation or renewal of this time-honored arrangement in such a form as conservatism and common sense demand; namely, a better arrangement than the world has yet enjoyed—a better union—a "more perfect union," to use the language employed by our fathers when, a century ago, they achieved an analogous advance in internal political organization, from the Confederation to the Constitution.

So much for the past! How stands it with Mr. Hill's perception of the present?

A phenomenon has occurred unique in history. Bimetallic free coinage, the balance-wheel of the mechanism of the valuations of the planet, is broken. That constitution of money upon which the history of Christendom has proceeded stands now subverted; to monetary peace succeeds monetary war.

And yet of all this Mr. Hill will have his readers hear nothing. Pages for effects, but not a word for causes.

So much for the present! What of the future?

Mr. Hill speaks of the transition of Germany from silver to gold as having *spent its force*, and is of opinion that no equal cause of disturbance will probably occur for centuries.

Germany's transition!

But Germany, in 1879, interrupted that part of her transition which consisted in selling out her melted thalers. And it has "spent its force!"

Happy illusion! The early installments of it broke up the Bimetallic Union. The enormous stock of silver coin in the Western nations subsides to the precarious status of tokens; the gold is undergoing upheaval, each step of which is cumulative wrong; in a word, the world's metallic money has been forced into an insupportable posture of unstable equilibrium. If ever

this disastrous process now going on shall have been arrested ; if order shall have been restored—that is to say, *if the policy of the Monetary Conferences shall have reaped the harvest of success*—then, at length, it will be possible to say that force has departed from Germany's transition.

But if the world shall consent to remain prisoner within the circle of ideas which Mr. Hill represents, then the centuries of which he speaks may tell their serial story of the unexhausted force of this “transition.”

But enough.

We have sufficiently exposed the barrenness of the land.

No one will question that in scholarly acquirement as well as in practical experience, ex-Senator Hill, of Colorado, is well entitled to lead the section of opinion of which he allows himself to be the spokesman.

But opposition to an international bimetallist policy—in the camp of expansionists of any school—will be found to be inspired full as much by temper as by doctrine, and by temper which claims kinship to patriotism and to civic virtue.

It is almost instinctive with us, upon proper provocation, to set up a Monroe Doctrine which is equal to the occasion ; and the mere foreignness of an international question, seeking to impose itself upon local national policy, excites a combativeness which veils the inexorable fact that there is no Monroe Doctrine which is equal to this occasion.

In this obscurity alone could it happen that the important special interests which have most to lose by the continued non-success of international bimetallism, most to gain by its success, namely, wheat and cotton, are represented by its most obstinate enemies. But agencies are at work to further a business view of the situation. The wheat interests of the Mississippi Valley take a business view of wheat ; the cotton-growing States are not indifferent to the business aspects of cotton, *in some respects*. All look across the border to Liverpool or Manchester, and those who are far-sighted see Bombay beyond, and a vista of new Indian railways. There is no Monroe Doctrine here ; no objection to dealing with things foreign and international as a matter of business.

Now, when the staples he exports depend for their price upon competing supply and employment in many nations, can any

practical man imagine that the metals in times of which these staples are paid for are not equally subject to international influences of competing supply and employment ?

Impossible !

So, if the wheat man thoughtfully follows his wheat, and the cotton man his cotton, he will presently find when his returns come in that he is an "international bimetallist."

And it is high time that he should do so. The situation is critical. Either a decisive blow in the campaign of international Bimetallism is to be struck *now* by Congress, or a pitiful failure is to be made through which mighty interests of millions will suffer.

It is the latter policy, that of failure, of which Mr. Hill is an advocate, and which inspires his attack against an international monetary policy ; the vital point with him being that the silver dollar coinage must not be stopped.

It will therefore complete our circuit of review of this portion of the anti-bimetallist camp, if I set forth the grounds why, as a Bimetallist, I desire the cessation of silver coinage in this country.

As for the reasons, domestic and internal, which make such cessations now a necessity, space precludes my entering upon them here.

As for the form of the law which should be passed (at once, under suspension of the rules), a conservative measure would fix a date in the near future for cessation of purchase of bullion and coinage of dollars, though, barring constitutional questions, the same date need not be fixed for both. It would also seem politic to provide for the removal of the limit in case Europe should offer proper co-operation in coining new silver. In justice to all sides, it is proper, before passing to the main task in hand, to maintain here certain other important duties which are incumbent upon the country in connection with silver.

The formation of an International Monetary Union demands more of the United States than cordial concurrence. This is not enough. The initiation in bringing about such a union, which the United States assumed by the conferences, should not be abandoned. This does not necessarily imply new conferences ; indeed, the time would seem to be past for further diplomatic assemblies for public academic debate on this question.

But the object in view is a contract, or concerted action equivalent to contract, between the sovereigns who in unions can swing the par of the money metals. Now the definition of a contract imports *aggregatio mentium*—a “meeting of minds.” Those sovereigns, whether emperor, king, or president, are not likely to sign a contract except upon advice of their various privy counselors, except in diplomacy and science. A confidential mutual understanding, therefore, between the confidential counselors of the various governments—a “meeting of minds” on their part, in their various languages—is the counterpart for the international task of the “meeting of minds” of buyer and seller in a contract of bargain and sale. We note therefore, in passing, without detail, but clearly, that whatever action—whether it be in legislatures or in cabinets, in department affairs or elsewhere—proves necessary in order to bring about this confidential mutual understanding, is a condition precedent to setting in motion the august machinery of treaty-making or of concurrent legislation, and therefore an essential part of the duties of the time.

Stoppage of silver coinage as a plank in the platform of the Bimetallic Union justifies itself at once when the character and extent of the antisilver movement is fully understood.

The movement to proscribe silver drew its chief inspiration from four sources :

1. The economic dogma of unity of standard.
2. The aspiration for unification of coinage.
3. The desire to avert a general depreciation of money (rise of prices).
4. The example of England.

In Germany, a political interest gave an electric impetus to the movement ; a new gold money, replacing and obliterating the sectionalism of a silver past, was a natural crowning of the edifice for the new-made empire, giving in fullest measure to the new Cæsar the things that were Cæsar's.

But this proposition to recoin French napoleons into German Williams *d'or*, and to sell out the German stock of silver to be coined into French dollars, was hardly welcome to France, the center and support of the great Bimetallic Union, which had been steadying the par of the metals for the world's benefit.

The monetary assault of the Teutonic Empire upon the Latin treasure was therefore countered with rapidity. No sooner

did the retirement of German silver begin, than the Latin Union put up the bars (January 30, 1874) by limiting coinage ; a practice followed, in 1878, by total suspension. Holland shut her door in 1875. France did not coin her quota of silver ; she took five million dollars' worth of new silver in 1876, and that was the last.

And so the Bimetallic Union was dissolved. This momentous event was plainly due to the enforcement of dogma by passion.

In its origin an idea, doctrinaire, artificial, impractical, unsound, the antisilver movement had been reinforced by powers well-nigh inarrestible, by habit in England, by national pride in Germany and in France.

For who, in 1885, can see that its strength is not yet wholly spent, can recognize that it was a movement tidal in its force ? It was clear that in any event the re-establishment of a Bimetallic Union must take time ; the practical inertia of governments, the dogmatic opposition and the mental inertia of their monetary privy councilors, the mere momentum of a movement, such as I have described it, could only be overcome by a process analogous to the erosion of continents with which physical geography has to deal.

Such was, in brief, the diplomatic situation when the United States called the Conference of 1878.

That the duty of assuming this initiation lay upon the United States is obvious.

What other nation could assume it, or would assume it ?

There was Holland ; Bimetallist to the core, as she is to-day, with none but skilled labor on guard. But Holland was a minor power ; perhaps she was too conscious of it—but the task seemed beyond her strength.

The question of the time was, "What would the United States do—this young Giant of the West, this great Paper-money Power across the Atlantic, which proposed to take unto itself its share of specie ?" Evidently the casting vote to determine what specie should be lay in its hands. What would it do ?

A question, to answer which the European statesmen could gain but a vague forecast.

In such a situation the work of the Conference was well marked ; it forced the governments of Europe to realize their situation, to examine their interests from the international stand-point ; and it was a unique occasion and means of advancing the study of mon-

etary policy in preparation for the performance of the novel duty thrown upon the nations in this age, the conscious regulation of the parity of silver and gold.

But the mission of the Conference was also to impress Europe with the attitude of the transatlantic power which convoked it.

Candor compels our recognition that, to a European thinker who knew the monetary past of the United States, there was much to encourage the belief that Europe might in the end—if *she waited long enough*—melt down her silver coin and sell it out to the Americans at a good gold price.

The vista of State bank issues before the war; the failure to keep our money at par during the war, or to bring it back to par soon after the war; the strenuous agitation in favor of immediate free coinage when it must facilitate demonetization in Germany, an agitation sanctioned by the report of a commission; the redundant coinage of silver change since 1873 and in 1878; the new coinage of silver dollars—everything pointed in the one direction we have described.

And, of course, the chance of selling out silver to America was calculated to stifle in Europe the dispositions which alone could promise success to the policy of the Conference.

Bluntly stated, therefore, the task for European monetary diplomacy was, “how to maneuver the United States out of its adhesion to the policy of Bimetallic Union, and into the scheme of coining silver without limit all alone.”

That the coinage of standard dollars was, from the purely diplomatic stand-point, a mistake, is an obvious conclusion.

What was true in 1878 is true to-day. In all the years that have followed, the perspective offered to Europe, that the United States without concurrent coinage in Europe would continue to relieve the situation by coining two millions, or four millions, or *more* millions a month, has been a drag upon the advancement of bimetallic policy.

The Conference of 1881 offered a distinct advance toward the end. The attitude of the United States, as defined in the Conference of 1878, had inaugurated a period of reflection, the progress of which was revealed as with an electric flash by the stoppage of sales of demonetized German silver, May 16, 1877.

Germany, who had declined all participation in the Conference of 1878, was now ready for concessions, among which was an en-

gement not to sell silver. England was ready to offer free coinage of silver and exclusion of gold in India, and a limited issue of Bank of England notes on silver deposit in England.

But the object of these concessions was avowedly to induce the other Powers to inaugurate free coinage.

Unimportant in practice as the concessions of Germany and England might appear, they infallibly operated as an admission of the great point of controversy, the truth of bimetallist doctrine : it was admittedly, then, the interest of England and of Germany to further the re-enfranchisement of silver.

In this situation it seemed that the Conference could properly report progress and act for further time. This was done. An adjournment for consultation and negotiation between governments was agreed upon, and April 12, 1882, fixed for the adjourned session. But the work of doctrinal diplomacy thus imposed upon governments was crossed and made unfruitful by a series of political events, involving changes of succession in the governments which had called the Conference : the short reign and downfall of the Gambetta ministry in France, and in this country the agony and death of Garfield and the transfer of power from Mr. Blaine to Mr. Frelinghuysen.

The course decided upon by the governments of France and the United States, upon consultation with the various governments, was set forth in an identical note, sent March 31, 1882, to the powers which had taken part in the Conference, "deferring its convocation, subject to a determination, on the part of the states interested, of the date for its reassembling, the same to take place within the present year."

Various schemes of concurrent action had been under discussion, of which some fell short of the concurrent free coinage held in view by Congress ; for example, a union for limited coinage, each nation to coin a quota, and a union for concurrent withdrawal of small gold coin and small notes.

In the mean time an active propaganda had been set on foot in England and in Germany, the two countries where further enlightenment of public opinion was especially needed. But the long session of Congress (1882) having passed by without any action fixing a limit of time for the dollar coinage, the states interested in the success of the policy of the Conferences profited by the opportunity to let things drift.

And drifting is the course which still is followed while the dollar coinage goes on. Meantime, Italy has succeeded in gathering a gold fund to keep her paper at or near par, and Holland has acted upon the advice of her Bimetallist leaders, and prepared herself to take in sail if the wind should rise, by a law allowing the Bank to melt and sell silver in order to maintain its gold reserve.

A new phenomenon, the competition of India in wheat, and to some extent in cotton, at a low silver price, translated for gold countries into an artificially lower gold price, has invaded the monetary peace of Christendom—not merely with amounts imported, but through the specific draw on prices of a great potential supply—and so contributes a novel quota to the general subsidence of prices in occidental money.

Evidences are accumulating that sensitiveness is replacing inertia in tone-giving quarters.

On the 6th of March, 1885, a strong bimetallist resolution was the subject of exhaustive debate in the German Reichstag. The motion was defeated, but without giving an index of the opinions of the House, the anti-bimetallists being supported by the vote and not the speeches of the clericals, who acted in a body; while their leader, Windthorst, in stating their positions, distinctly disavowed committing himself against a bimetallist policy, but based the action of his party solely upon their view of the respective functions of the House and of the government, the initiative and responsibility in this matter belonging to the latter.

In the French Chamber, the monetary question came up on March 8, in connection with the tariff on wheat, and was the subject of debate, the chief speaker, M. de Soubeyran, maintaining, among other things, that the defeat of the resolution in the Reichstag two days before was due to the fact that it was felt that the initiative in the matter of further negotiations really belonged to France and the United States.

At the request of the Finance Minister, the matter was not pressed.

A query arises from these incidents which is full of suggestion, namely, what action might have been taken in Berlin and in Paris, if the Congress which came to an end March 4, 1885, had passed the Coinage Bill reported in January by the Senate Finance Committee.

The appointment of a royal commission in England to investigate the causes of trade depression, the announcement in official quarters in Berlin that the question of the double standard is under consideration, the decided expressions of the Bankers' Union of Paris and the provinces, are later signs that the leaven of reform is working.

Significant, too, in another direction, are the echoes of the discussion of the Warner Bill—notably, articles in a Hamburg paper, in July, from the hand of Professor Soetbeer, the intellectual author of “Silver Outlawry in Germany,” in which he makes the naïve observation that European nations have no reason to feel any concern as to the adoption of this compromise in the United States, but that, on the contrary, it is a consummation rather to be wished by *those nations which have silver to sell*.

What, then, is the situation revealed by this survey of the field?

A vicious circle: nations watching each other, sensitive and expectant, all waiting for the United States to act.

And who are they who say that the United States shall not act—act to force an international settlement of the silver question, act in furtherance of the policy which alone offers monetary honor and monetary peace?

The chief obstructionists are they who are in subjection to the errors we have passed in review.

S. DANA HORTON.